

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-82-S - ORDER NO. 2019-314

MAY 14, 2019

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| IN RE: Application of Palmetto Wastewater |) ORDER APPROVING |
| Reclamation, LLC for Adjustment of Rates |) INCREASE IN RATES |
| and Charges |) AND CHARGES, RATE |
| |) SCHEDULE |
| |) MODIFICATIONS, AND |
| |) SETTLEMENT |
| |) AGREEMENT |

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Application of Palmetto Wastewater Reclamation, LLC (“PWR” or “the Company”) for an increase in rates and charges for the provision of sewer service and the modification of certain terms and conditions related to the provision of such service. The Application was filed on November 6, 2018, pursuant to S.C. Code Ann. § 58-5-240 (2015) and S.C. Code Ann. Regs. 103-512.4.A and 103-503 (2012) and utilized a test year ending August 31, 2018.

By letter dated November 19, 2018, the Commission Clerk’s Office transmitted to PWR a prepared Notice of Filing and Hearing. The Notice of Filing and Hearing described the nature of the Application, included a comparison of current and proposed rates for residential, mobile home, and commercial customers, and advised all interested persons desiring to participate in the proceedings and hearing of the manner and time in which to

file appropriate pleadings for inclusion in the proceedings as a party of record. The Clerk's Office instructed PWR to publish the Notice of Filing and Hearing in newspapers of general circulation in the areas affected by the Application and to notify directly by U.S. Mail, or electronic mail for those customers who have agreed to receive notices via electronic mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing and Hearing. On December 17, 2018, the Company filed an Affidavit of Publication demonstrating that the Notice of Filing and Hearing had been duly published and a Certificate demonstrating that a copy of the Notice of Filing and Hearing had been mailed to each affected customer.

As reflected in the Notice of Filing and Hearing, the Company proposed new monthly sewer service rates of \$41.18 for residential customers, \$30.74 for mobile homes, and \$41.18 per single family equivalent ("SFE") as a minimum for commercial customers. By its Application, the rates sought by the Company would permit it the opportunity to earn \$615,797 in additional annual revenues. The Application also sought a modification of its rate schedule to include a provision authorizing the Company to impose a charge not to exceed \$250.00 upon customers found to have tampered with or damaged its facilities or equipment and to limit liability to customers for damages arising out of an interruption of service or a failure to provide service to remedies provided for under 10 S.C. Code Regs. 103-517 (2012).

No petition to intervene was filed in this case in response to the Notice of Filing and Hearing. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2018), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.

On April 2, 2019, PWR and ORS (the “Settling Parties”) filed a Settlement Agreement with the Commission. The Settling Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case. ORS stated in the Settlement Agreement and at the scheduled hearing in this matter that the settlement serves the public interest. The Settlement Agreement states that the Settling Parties view the terms thereof to be just and reasonable. Among others, these terms provide for a monthly residential service rate of \$37.92, a monthly mobile home service rate of \$28.30, and a monthly commercial service rate of \$37.92 per SFE, with commercial customers having a minimum rating of one SFE, additional annual revenues of \$327,548, a return on rate base of 7.81% based upon a return on equity (“ROE” or “cost of equity”) of 9.93% and a capital structure of 55% equity and 45% debt, all of which result in an operating margin of 14.56%. Most prominent among the disputed issues between the parties that is resolved by the Settlement Agreement in this case is a resolution with respect to the effect the Federal Tax Cuts and Jobs Act of 2017 should have on the Company and its customers, which resolution provides for a reduction in the agreed monthly service rates described above for a period of three (3) years.¹ In addition, the Settlement Agreement allows the Company to recover not more than \$160,000 in rate case expenses amortized over two years, recognizes a post-test year reduction in the number of the Company’s equivalent residential customers, and adopts the modifications to the terms and conditions of service proposed by PWR.

¹ For a period of thirty-six (36) months from and after the effective date of an order approving the parties’ settlement agreement, these monthly service rates (or any other rate approved by the Commission in the interim) will be reduced by \$0.34 per residential, mobile home, and commercial (per SFE) customer as a term of the Settlement Agreement. This reduction terminates with the Company’s first billing for the thirty-seventh (37th) month following the effective date of an order approving this settlement.

**II. TESTIMONY RECEIVED FROM THE COMPANY,
THE OFFICE OF REGULATORY STAFF, AND PUBLIC WITNESSES**

A public hearing was held in the offices of the Commission on April 8, 2019, beginning at 10:00 a.m., to receive testimony from the Settling Parties and any public witnesses. The Honorable Comer H. “Randy” Randall, Chairman of the Commission, presided. PWR was represented by John M.S. Hoefer, Esquire, and Benjamin P. Mustian, Esquire. ORS was represented by Andrew M. Bateman, Esquire, and Jenny R. Pittman, Esquire.

No public witness appeared to testify at any time during the hearing. At the beginning of the hearing, the Commission received and accepted into the record the Settlement Agreement² as Hearing Exhibit 1. Under the terms of the Settlement Agreement, the pre-filed direct testimonies (and, where applicable, exhibits) of PWR witnesses Bryan D. Stone, Chief Operating Officer of PWR, Mark S. Daday, President and Chief Financial Officer of PWR,³ Andrena Powell-Baker, Senior Manager of Community Relations and Development for PWR, Donald J. Clayton, Principal in charge of Management Consulting at Tangibl Group, Inc., and Harold Walker, III, Manager for Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC, and the pre-filed rebuttal testimonies (and where applicable, exhibits) of Mr. Stone, Mr. Daday and Mr. Walker were stipulated into the record. Similarly, under the terms of the Settlement Agreement, the pre-filed direct and surrebuttal testimonies and exhibits of ORS witnesses

² By consent, a typographical error in paragraph 2 on page 3 of the Settlement Agreement, as filed on April 2, 2019, was corrected and a corrected Settlement Agreement was submitted into evidence.

³ By agreement of the parties, and with the approval of the Commission, Mr. Daday’s pre-filed direct and rebuttal testimonies and exhibits were adopted by Mr. Stone.

Christina L. Seale, a Senior Auditor employed by ORS, Matthew P. Schellinger, II, a Regulatory Analyst employed by ORS, Anthony Sandonato, a Regulatory Analyst employed by ORS, and David C. Parcell, Principal and Senior Economist of Technical Associates, Inc. were also stipulated into the record.

Counsel for ORS, Mr. Bateman, made a statement at the beginning of the hearing in which he apprised the Commission that ORS sought approval of the Settlement Agreement, as amended, as being a fair resolution of the disputed issues in the case and that the terms and conditions thereof were in the public interest. Mr. Bateman informed the Commission that, as a result of its examination and inspections, ORS had determined that PWR was in compliance with all rules and regulations of the Commission, was not the subject of any environmental regulatory enforcement actions, was receptive of and responsive to customer concerns and needs, provided excellent customer and utility service, and, ORS believes it has been transparent in its dealings with both customers and ORS.

By agreement of the parties, and with the Commission's approval, Mr. Clayton, Mr. Walker, and Mr. Parcell were excused from attending the hearing and their verified testimonies were admitted into the record of evidence. Also, by agreement of the parties, and again with the approval of the Commission, the Company and ORS presented their witnesses in panels.

Company witnesses Stone and Powell-Baker were sworn in and gave their direct and rebuttal testimonies and their proposed exhibits were accepted into the record of evidence. Thereafter, these witnesses were examined by the Commission. ORS witnesses

Seale, Sandonato, and Schellinger were then sworn in and gave their direct and surrebuttal testimonies and their exhibits were accepted into the record of evidence. Under examination by the Commission, the ORS witnesses supported the Settlement Agreement, which resolves the following disputed issues between the Settling Parties:

1. The parties disagreed on the effect of the Federal Tax Cuts and Jobs Act of 2017. Under the terms of the Settlement Agreement, the reduction in the Federal corporate income tax effective January 1, 2018, is recognized taking into account the Company's increases in expenses since that date and amortizing the amount of that effect over a three-year period (as described in n.1, above).
2. The parties disagreed regarding the Company's capital structure. Under the terms of the Settlement Agreement, the parties adopted a hypothetical capital structure of 55% equity and 45% debt instead of the Company's actual capital structure as of August 31, 2018 of approximately 59.72% equity and 40.28% debt.
3. The parties disagreed regarding the Company's weighted average cost of debt. Under the terms of the Settlement Agreement, the weighted average cost of debt of 5.23% is adopted.
4. The parties disagreed regarding an appropriate ROE for PWR. The Company proposed a 10.75% ROE while ORS proposed a ROE of 9.6% based upon a

range of between 9.2% and 10.00%. The Settlement Agreement adopts a ROE of 9.93%.

5. The parties disagreed regarding allowable rate case expenses. The Company sought to include approximately \$14,580 in rate case expense associated with work performed by its outside rate consultant that involved a test year ending May 30, 2018. ORS proposed to exclude that amount because the test year proposed in the Application ends August 31, 2018. The Settlement Agreement adopts total rate case expenses of \$160,000, amortized over two years.
6. The parties disagreed regarding the Company's applicable number of equivalent residential connections ("ERCs"). The Company sought to reflect for ratemaking purposes a post test-year reduction of 54 ERCs. The Settlement Agreement adopts the Company's proposal.⁴

⁴ At the hearing, the Parties were unable to accurately explain a discrepancy between the number of customer accounts in the Company's Application and the number in ORS witness Anthony Sandonato's testimony. ORS filed a letter with this Commission on April 19, 2019 updating ORS's position to the number included in PWR's Application of 1,699 customer accounts.

III. FINDINGS OF FACT

Based upon the Application, the Settlement Agreement, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (2015). The Company is engaged in the business of providing wastewater collection and treatment services to the public for compensation in portions of Lexington and Richland counties and is therefore a public utility subject to the Commission's jurisdiction.

2. The Company is lawfully before the Commission on an application for rate relief and modifications to certain terms and conditions of service pursuant to S.C. Code Ann. § 58-5-240 (A) (2015) and S.C. Code Ann. Regs. 103-503 and 103-512.4.A (2012).

3. The test year for use in this proceeding is September 1, 2017 to August 31, 2018.

4. The Commission will use rate of return on rate base as a guide in determining the lawfulness of the Company's rates and in the fixing of just and reasonable rates.

5. The determination of return on rate base requires three components. These are the Company's capital structure, cost of equity, and the cost of debt.

6. In the return on rate base determination, it is appropriate to use a capital structure of 55% equity and 45% debt for PWR.

7. A fair return on equity for PWR is 9.93%.

8. Using the capital structure of 55% equity and 45% debt, the cost of debt of PWR of 5.23%, and a return on equity of 9.93% produces a rate of return on rate base of 7.81%.

9. The Company, by its Application originally sought an increase in its annual sewer service revenues of \$615,797 based upon a proposed monthly sewer service charge of \$41.18 for residential customers, \$41.18 per single family equivalent (as a minimum) for commercial customers, and \$30.74 for mobile homes.

10. The Company submitted evidence in this case with respect to PWR's revenues, expenses and rate base using a test year consisting of the twelve (12) months ended August 31, 2018. ORS proposed adjustments to the test year revenues, expenses, and rate base submitted by PWR. The Company accepted most of the ORS adjustments, with the disputed adjustments being those described above. The Settlement Agreement is based upon the same test year and reflects the compromises of the only parties of record with respect to these disputed adjustments.

11. The Settlement Agreement reached by the Settling Parties, which resolves the issues in this proceeding, was filed by ORS on April 2, 2019.⁵

12. Under the terms of the Settlement Agreement, all Parties stipulated and agreed to a rate of \$37.92 per month for residential customers, a minimum commercial rate of \$37.92 per month for each SFE, and a mobile home rate of \$28.30 for mobile homes. These monthly rates, and any different rate which may hereafter be approved by the Commission following a successful rate relief application should one be sought by the Company, will be subject to a reduction \$0.34 cents for a period of thirty-six months following the effective date of this Order. Thus, based on the rates approved hereby, residential customers will pay \$37.58 per month, commercial customers will pay \$37.58 per month per SFE, and mobile home customers will pay \$27.96 during this three-year period, assuming the Company's rates are not approved to be increased by the Commission during this three-year period. Thereafter, no reduction in the Company's rates shall apply.

13. The Settlement Agreement provides for an increase in revenue, after accounting and pro forma adjustments, of \$327,548, based upon a proposed monthly sewer service charge of \$37.92 for residential customers, \$28.30 for mobile home customers, and \$37.92 per single family equivalent (as a minimum) for commercial customers. The return on rate base provided for is 7.81% based upon a return on equity of 9.93% and a capital

⁵ Appended to the Settlement Agreement are "Settlement Attachment A", which details the accounting adjustments, operating experience, revenues, return on rate base, and resulting operating margin and "Settlement Attachment B" setting forth the proposed rate schedule.

structure of 55% equity and 45% debt. This results in an operating margin of 14.56%. See S.C. Code Ann. § 58-5-240(H) (2015).

14. After careful review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case, including the testimonies of the witnesses and hearing exhibits, the Commission finds and concludes that the Settlement Agreement results in just and reasonable rates and charges for the provision of sewer services. The Commission finds that PWR has invested approximately \$6.8 Million in plant, equipment and facilities, since the Company's last rate relief proceeding. The rate schedule agreed to by the Parties in the Settlement Agreement is hereby adopted and attached to this Order as part of Order Exhibit 1. The rates and charges in the rate schedule are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement, and allow PWR to continue to provide its customers with adequate sewer service. Further, the agreed upon rates allow the Company an opportunity to earn a reasonable return on its investment. We find that the rate schedule agreed to by the Settling Parties provides terms and conditions for sewer service that are also just and reasonable. The Commission finds that the proposed modifications and additions to the terms and conditions of the Company's sewer service, specifically the language imposing a tampering charge and providing for a limitation of liability, are appropriate, just and reasonable and are therefore approved.

IV. EVIDENCE AND CONCLUSIONS

EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 1-

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The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-3-140(A) (2015) and 58-5-210 (2015). The Commission requires the use of an historic twelve-month test period under S.C. Code Ann. Regs. 103-823.A(3) and 103-512.4(A)(2012). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 4-

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The Commission last approved an increase in rates for PWR's customers in Order No. 2014-752 issued September 18, 2014, in Docket No. 2014-69-S. On November 6, 2018, PWR filed its application seeking an increase in annual revenues of \$615,797. The Company and ORS submitted evidence in this case with respect to revenues and expenses using a test year for the twelve months ending August 31, 2018. The Settlement Agreement filed by the Settling Parties on April 2, 2019, is based upon the test year ending August 31, 2018, as proposed in the application and provides for an increase in annual service revenues of \$327,548, resulting in an operating margin of 14.56% based upon the Company's revenues and allowable expenses.

a) Basis for Rate Relief

In his pre-filed direct testimony, Company witness Clayton testified that the Company had experienced an increase in operating expenses of \$64,000 since the last rate increase for the Company and noted a significant increase in other expenses, primarily property taxes associated with capital improvements. (Clayton Direct, p. 6, ll. 5-12). Company witness Daday testified that total investments by PWR since its last rate relief proceeding were approximately \$6.8 Million, resulting in an annual increase in property taxes of approximately \$376,000. (Daday Direct, p. 8, ll. 5-10). Although, as a result of the Settlement Agreement the increase in allowable expenses is less than initially asserted by the Company, PWR's expenses have increased significantly and the Company is experiencing an operating margin of 8.33% (which is slightly more than half of the operating margin previously approved for it by this Commission) and a return on rate base of only 5.20% based upon the agreed upon adjustments set forth in Settlement Attachment A without rate relief.

b) Rate-setting Methodology

The Company requested rate base and rate of return treatment for its Application App. p. 10 ¶ 13. ORS did not oppose the Company's request in this regard. The ratemaking methodology to be used by the Commission in setting just and reasonable rates is a matter of our discretion and we have "wide latitude to determine an appropriate rate-setting methodology. *Heater of Seabrook v. Public Serv. Comm'n of South Carolina*, 324 S.C. 56, 64, 478 S.E.2d 826, 830 (1996). Although S.C. Code Ann. § 58-5-240(H) (2015) directs the Commission to specify an allowable operating margin in all water and

wastewater orders, “that directive does not mean that operating margin must be used in determining a fair rate of return.” *Id.* Operating margin “is less appropriate for utilities that have large rate bases and need to earn a rate of return sufficient to obtain the necessary equity and debt capital that a larger utility needs for sound operation.” *Id.* According to the Application, PWR’s per books total rate base was \$9,945,657. *See* Application Exhibit B, Schedule F. Even after the agreed upon adjustments set out in Attachment A to the Settlement Agreement, the Company’s rate base is \$9,780,768. This is a large rate base and the Commission finds that it warrants use of the rate of return on rate base to ensure that PWR’s ability to earn a fair and reasonable return on its investment may be met.

c) Approved Rates, Return on Equity, and Resulting Operating Margin

The parties of record have stipulated in the Settlement Agreement that the rates, terms, and conditions of service are just and reasonable. The agreed upon return on equity, although lower than that sought by PWR, is within a range of returns testified to by ORS’s cost of capital witness. The parties of record have accepted all ORS adjustments except those which were disputed by PWR but have been resolved under the terms of the Settlement Agreement as described above. The rates agreed to in the Settlement Agreement generate a return on rate base of 7.81% and result in an operating margin of 14.56% as shown in Attachment A thereto.

d) Additions to and Changes in the Terms and Conditions of Service

The Settling Parties proposed in Attachment B to the Settlement Agreement modifications to the language of the current rate schedule to add (1) a new Section 12

providing for a tampering charge of up to \$250 and (2) a new Section 13 limiting the Company's liability in circumstances where service is interrupted or there is a failure to furnish service to remedies provided for in the Commission's rules and regulations. As noted in the Company's Application, these provisions have been approved by the Commission for other jurisdictional sewer utilities. In the direct testimony of ORS witness Sandonato, ORS accepted and recommended that the Commission approve these proposed modifications and the Settlement Agreement simply recognizes this acceptance. Thus, these modifications are appropriate for incorporation into the Company's rate schedule.

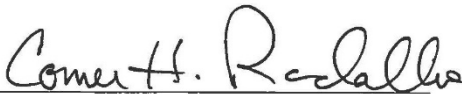
NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

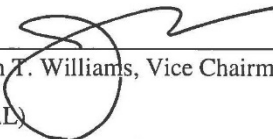
1. The Settlement Agreement with accompanying attachments is attached hereto as Order Exhibit 1 and is incorporated into and made a part of this Order by reference.
2. The Settlement Agreement is adopted by this Commission and is approved as it produces rates that are just and reasonable and in the public interest as well as authorizing a reasonable return on equity for the Company.
3. The rates imposed shall be those rates agreed upon in the Settlement Agreement as shown in Settlement Agreement Attachment B and shall be effective for service rendered by the Company on and after the date of this order.
4. The additional revenues that the Company is entitled an opportunity to earn results in an operating margin of 14.56 %.
5. The Company's books and records shall continue to be maintained according to the NARUC Uniform System of Accounts.

6. The Company shall maintain a performance bond for sewer operations in the amount of \$350,000 in compliance with S.C. Code Ann. § 58-5-720 (2015).

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Comer H. Randall, Chairman


Justin T. Williams, Vice Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-82-S

| | | | |
|--------|--|---|-------------------|
| IN RE: | Application of Palmetto Wastewater |) | |
| | Reclamation, LLC for Adjustment of Rates |) | SETTLEMENT |
| | and Charges for, and the Modification of |) | AGREEMENT |
| | Certain Terms and Conditions Related to, |) | |
| | the Provision of Sewer Service |) | |

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”) and Palmetto Wastewater Reclamation, LLC (“PWR” or the “Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, On November 6, 2018, the Company filed an Application for Adjustment in Rates and Charges (the “Application”) with the Public Service Commission of South Carolina (“Commission”);

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (2015) and 10 S.C. Code Regs. 103-512.4.A and 103-503 (2012), and the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2018);

WHEREAS, the Company provides wastewater collection and treatment services to 1,699 residential, mobile home, commercial and multi-family customers totaling approximately 7,934 total equivalent residential connections in Lexington and Richland Counties, South Carolina;

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WHEREAS, ORS examined the books and records of the Company relative to the issues raised in the Application and conducted financial, business, and site inspections of PWR;

WHEREAS, ORS also examined all accounting and pro forma adjustments proposed by the Company, the Company's cost of service study and rate design, the Company's capital structure and cost of capital, and information related to the Company's operations;

WHEREAS, the Parties have varying positions regarding the issues in this case;

WHEREAS, the Parties engaged in discussions to determine if a settlement of some or all of the issues would be in their best interests and, in the case of ORS, in the public interest; and,

WHEREAS, following those discussions, the Parties determined that their interests, and ORS determined that the public interest, would be best served by entering into the following agreement resolving all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for wastewater service which are adequate, just, reasonable, nondiscriminatory , and which will allow the Company the opportunity to earn a reasonable return.

**A. STIPULATION OF AGREEMENT, TESTIMONY AND WAIVER OF CROSS-
EXAMINATION**

1. The Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits (collectively, the "Stipulated Testimony") of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to those that would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement. The Parties also reserve the right to engage

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in redirect examination of witnesses as necessary to respond to issues raised by the examination of their witnesses by the Commission or by testimony by non-Parties.

PWR witnesses:

1. Andrena Power-Baker
2. Bryan D. Stone
3. Donald J. Clayton
4. Harold Walker, III
5. Mark S. Daday

ORS witnesses:

1. Christina L. Seale
2. David C. Parcell
3. Anthony Sandonato
4. Matthew P. Schellinger, II

The Parties further agree to present their witnesses to the Commission in support of this Settlement Agreement in panels if acceptable to the Commission.

2. The Parties agree to offer no other evidence in the proceeding other than the stipulated testimony and exhibits and this Settlement Agreement unless the additional evidence is to support the Settlement Agreement, consists of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction or clarification, consists of a witness adopting the testimony of another if permitted by the Commission, or is responsive to issues raised by examination of the Parties' witnesses by Commissioners, or by testimony by non-parties. The Parties agree that, provided the Commission approves, Company witness Stone may adopt the testimony of Company witness Daday. The Parties agree that, unless required by the Commission, Company witnesses Clayton and Walker and ORS witness Parcell shall not be required to be present for the hearing in this matter. The Parties agree that nothing herein will preclude each party from advancing its respective positions in the event that the Commission does not approve the Settlement Agreement.



B. SETTLEMENT AGREEMENT TERMS

3. As a compromise to positions advanced by the Parties, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the Settlement Agreement by the Parties.

4. Without prejudice to the position of any Party in future proceedings (except as provided in paragraph 14 below), the Parties agree to accept all recommendations and adjustments in the testimony and exhibits of ORS witnesses unless changed by this Settlement Agreement.

Return on Common Equity, Revenue, Cost of Debt and Capital Structure

5. For purposes of this Settlement Agreement and in recognition of the mutual compromises contained herein, the Parties further agree that the Application, Stipulated Testimony, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments appended to the Settlement Agreement as Attachment A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) base rates generating a revenue increase of \$327,548 on an adjusted test-year basis are lawful, just, and reasonable when considered as a part of this Settlement Agreement in its entirety; (iii) rates in this proceeding shall be established based on a 9.93% return on common equity ("ROE") and a capital structure that includes 45% debt and 55% equity;¹ (iv) the Company's cost of debt is 5.23% (v) the Company's services are adequate and are being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of wastewater service; and, (vi) the Company's rates resulting from the Settlement Agreement are just and reasonable, and should be adopted by the Commission for service rendered by the Company.

¹ ORS's recommended ROE range was 9.2% to 10.0% with a midpoint of 9.60%. Absent a settlement agreement, ORS would not support an ROE as high as 9.93%.

6. Through the testimony of its cost of capital witness, the Company sought approval of an ROE of 10.75% and its Application requested a revenue increase of \$615,797. This Settlement Agreement provides for an ROE of 9.93% and a revenue increase of \$327,548.

7. The Parties agree to accept, for purposes of this Settlement Agreement, all proposals and recommendations put forth in the Settlement Agreement and Attachments A and B.

8. The Parties agree that the \$327,548 revenue increase, as shown in Attachment A to this Settlement Agreement, is appropriate, just and reasonable. Attachment B sets forth the proposed rate increases by rate schedule.

C. OTHER TERMS

9. The Tax Cuts and Jobs Act was enacted in December 2017 which changed the federal income tax rate from 34% to 21%. ORS has asserted that this act created benefits to customers that began accruing as of January 1, 2018, and as a result the Company has received excess revenues totaling \$97,771. The Company has agreed, solely for purposes of this settlement, to recognize the effect of this change by an adjustment to its pro forma net income for the period from and after January 1, 2018. In calculating the amount of this adjustment, the Parties will use the ORS audited financial information based on the twelve months beginning September 1, 2017 and ending August 31, 2018 ("Test Year"), which is the Test Year proposed by the Company in its Application. This adjustment will be implemented via a temporary reduction in the Company's monthly service charges reflected in Attachment B hereto in the amount of \$0.34 for residential, mobile home and commercial customers (per single family equivalent), same to be reflected on customer bills as a separate line item reduction for a three (3) year period beginning with the first monthly bill issued after approval of this Settlement Agreement. Thereafter, no such reduction is

required and Company shall be entitled to bill all customers at the full rate approved by the Commission.

10. The rate case expenses in this proceeding are agreed to be \$160,000 and shall be amortized over two years.

D. REMAINING SETTLEMENT AGREEMENT TERMS AND CONDITIONS

11. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2018). S.C. Code § 58-4-10(B) reads in part as follows:

For purposes of this chapter, "public interest" means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

12. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, and is in accordance with law and regulatory policy. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Settling Party in any future proceeding. This Settlement Agreement does not establish any precedent with respect to the issues resolved herein and in no way precludes any Party herein from advocating an alternative position in any future or concurrent proceeding.

13. The Parties agree to cooperate in good faith with one another in recommending and advocating to the Commission that this Settlement Agreement be accepted and approved by the Commission in its entirety as a fair and reasonable resolution of certain issues currently pending in the above-captioned proceeding and detailed here-in, and to take no action inconsistent with its adoption by the Commission. The Parties agree to use their best efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

14. The Parties agree that signing this Settlement Agreement (a) will not constrain, inhibit, impair, or prejudice their arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery, or rates of return that any Party may seek or advocate in any future proceeding. Notwithstanding the foregoing, the Parties agree that this Settlement Agreement resolves all issues pending between them in Docket No. 2017-381-A. The Parties agree that this Settlement Agreement is in public interest when considered as a whole. If the Commission declines to approve this Settlement Agreement in its entirety, then any Party may withdraw from the Settlement Agreement without penalty or obligation.

15. This Settlement Agreement shall be interpreted according to South Carolina law.

16. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

17. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

A handwritten signature in black ink, appearing to be "M. St." or similar, located in the bottom right corner of the page.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

A handwritten signature in black ink, appearing to be "J. West" or similar, located in the bottom right corner of the page.

Representing the South Carolina Office of Regulatory Staff



April 2, 2019

Andrew M. Bateman, Esquire
Jenny R. Pittman, Esquire
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: 803-737-8440
803-737-0895
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jpittman@ors.sc.gov



Representing Palmetto Wastewater Reclamation, LLC

A handwritten signature in blue ink, appearing to read "John M.S. Hoefer", is written over a horizontal line.

April 2, 2019

John M.S. Hoefer, Esquire
Benjamin P. Mustian, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, South Carolina 29202
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bmustian@willoughbyhoefer.com

Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Operating Experience, Rate Base and Rate of Return Reflecting ORS's Proposed Increase
For the Test Year Ended August 31, 2018

| <u>Description</u> | (1) <u>Per</u> <u>Application</u> \$ | (2) <u>Accounting</u> <u>&</u> <u>Pro Forma</u> <u>Adjustments</u> \$ | (3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> \$ | (4) <u>ORS's</u> <u>Proposed</u> <u>Increase</u> \$ | (5) <u>After</u> <u>Proposed</u> <u>Increase</u> \$ |
|---|---|--|--|---|---|
| <u>Utility Operating Revenues:</u> | | | | | |
| Operating Revenues | 3,257,650 | 81,454 (1) | 3,339,104 | 327,548 (16) | 3,666,652 |
| <u>Total Utility Operating Revenues</u> | <u>3,257,650</u> | <u>81,454</u> | <u>3,339,104</u> | <u>327,548</u> | <u>3,666,652</u> |
| <u>Utility Operating Expenses:</u> | | | | | |
| Operating Expenses | 946,889 | 569,952 (2) | 1,516,841 | 3,275 (17) | 1,520,116 |
| Depreciation and Amortization | 521,507 | 54,669 (3) | 576,176 | 0 | 576,176 |
| Taxes Other Than Income Taxes | 580,530 | 64,739 (4) | 645,269 | 1,545 (18) | 646,814 |
| Income Taxes | 53,887 | 38,584 (5) | 92,471 | 80,521 (19) | 172,992 |
| <u>Total Utility Operating Expenses</u> | <u>2,102,813</u> | <u>727,944</u> | <u>2,830,757</u> | <u>85,341</u> | <u>2,916,098</u> |
| <u>Net Utility Operating Income (Loss)</u> | <u>1,154,837</u> | <u>(646,490)</u> | <u>508,347</u> | <u>242,207</u> | <u>750,554</u> |
| Add: Other Income - AFUDC | 16,578 | (16,578) (6) | 0 | 0 | 0 |
| Less: Amortization of Debt Expense | 35,437 | (35,437) (7) | 0 | 0 | 0 |
| Add: Amortization of EDIT | 0 | 0 | 0 | 13,662 (20) | 13,662 |
| <u>Net Income (Loss) for Return</u> | <u>1,135,978</u> | <u>(627,631)</u> | <u>508,347</u> | <u>255,869</u> | <u>764,216</u> |
| <u>Original Cost Rate Base:</u> | | | | | |
| Plant in Service | 14,464,745 | 599,616 (8) | 15,064,361 | 0 | 15,064,361 |
| Accumulated Depreciation | (3,607,582) | (209,644) (9) | (3,817,226) | 0 | (3,817,226) |
| Contributions in Aid of Construction (CIAC) | (692,107) | (4,251) (10) | (696,358) | 0 | (696,358) |
| Accumulated Amortization of CIAC | 403,288 | 4,421 (11) | 407,709 | 0 | 407,709 |
| Net Plant | 10,568,344 | 390,142 | 10,958,486 | 0 | 10,958,486 |
| Accumulated Deferred Income Taxes | (974,895) | (1,564) (12) | (976,459) | 0 | (976,459) |
| Excess Deferred Income Taxes (EDIT) | 0 | (456,531) (13) | (456,531) | 0 | (456,531) |
| Materials and Supplies | 8,138 | 0 | 8,138 | 0 | 8,138 |
| Prepayments | 57,529 | 0 | 57,529 | 0 | 57,529 |
| Cash Working Capital | 286,541 | (96,936) (14) | 189,605 | 0 | 189,605 |
| <u>Total Rate Base</u> | <u>9,945,657</u> | <u>(164,889)</u> | <u>9,780,768</u> | <u>0</u> | <u>9,780,768</u> |
| <u>Return on Rate Base</u> | <u>11.42%</u> | | <u>5.20%</u> | | <u>7.81%</u> |
| <u>Operating Margin</u> | <u>6.62%</u> | | <u>8.33%</u> | | <u>14.56%</u> |
| <u>Interest Expense</u> | <u>920,369</u> | <u>(690,179) (15)</u> | <u>230,190</u> | <u>0</u> | <u>230,190</u> |

AKS

Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended August 31, 2018

| ORS Adj. # | PWR Adj. # | Description | ORS | PWR |
|--|-----------------|--|------------------|--------------------|
| <u>Accounting and Pro forma Adjustments</u> | | | | |
| (1) | | <u>Operating Revenues</u> | | |
| (1A) | (1) | To adjust residential revenues to reflect the most recent equivalent residential connections as calculated by the ORS Utility Rates Department. | \$ (26,407) | \$ (1,153) |
| (1B) | (2) | To adjust residential-mobile home park revenues to reflect the most recent equivalent residential connections as calculated by the ORS Utility Rates Department. | 15,759 | 15,759 |
| (1C) | (1), (2) | To adjust commercial revenues to reflect the most recent equivalent residential connections as calculated by the ORS Utility Rates Department. | (26,511) | (28,175) |
| (1D) | (1), (2), & (3) | To adjust multiple family dwelling revenues to reflect the most recent equivalent residential connections as calculated by the ORS Utility Rates Department. | 113,244 | (9,300) |
| (1E) | | To reflect adjustments to other revenues at the end of the test year. This adjustment was provided by the ORS Utility Rates Department. | 5,369 | 0 |
| (1) | | <u>Total Operating Revenues</u> | <u>\$ 81,454</u> | <u>\$ (22,869)</u> |
| (2) | | <u>Operating Expenses</u> | | |
| (2A) | (4) | To include legal and accounting costs in test year expenses. | \$ 7,275 | \$ 7,275 |
| (2B) | (5) | To annualize management fees for the ESG Operations Contract. | 11,428 | 8,814 |
| (2C) | (6) | To include cost related to software and support for camera truck. | 725 | 938 |
| (2D) | (7) | To annualize insurance for the test year. | (7,455) | 762 |
| (2E) | (8) | To amortize current rate case expenses over three years. | 80,000 | 66,575 |
| (2F) | (9) | To reflect bad debt expense at 1% of total revenue at present rates. | (48,485) | (49,528) |

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Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended August 31, 2018

| ORS Adj. # | PWR Adj. # | Description | ORS | PWR |
|---------------|---------------|---|--------------------|--------------------|
| (2G) | (10) | To allocate allowable Ni America overhead costs to PWR. | 544,402 | 549,703 |
| (2H) | | To remove expenses incurred outside of the test year. | (15,871) | 0 |
| (2I) | | To remove nonallowable expenditures. | (2,067) | 0 |
| (2) | | <u>Total Operating Expenses</u> | <u>\$ 569,952</u> | <u>\$ 584,539</u> |
| (3) | | <u>Depreciation and Amortization</u> | | |
| (3A) | (11) | To adjust depreciation expense to reflect new capital expenditures and other adjustments to plant in service. | \$ 58,067 | \$ 55,186 |
| (3B) | (12) | To adjust amortization of contributions in aid of construction. | (3,398) | (9,097) |
| (3) | | <u>Total Depreciation and Amortization</u> | <u>\$ 54,669</u> | <u>\$ 46,089</u> |
| (4) | | <u>Taxes Other Than Income Taxes</u> | | |
| (4A) | (13) | To adjust utility regulatory assessment fees after the accounting and pro forma adjustments using a rate of 0.471772446%. | \$ (17,605) | \$ (18,190) |
| (4B) | (14) | To adjust property taxes to reflect new capital expenditures and adjusted net plant in service. | 82,344 | 83,572 |
| (4) | | <u>Total Taxes Other Than Income Taxes</u> | <u>\$ 64,739</u> | <u>\$ 65,382</u> |
| (5) | | <u>Income Taxes</u> | | |
| (5A) | - | To adjust state income taxes on pro forma income at 5%. | \$ 12,198 | \$ 677 |
| (5B) | - | To adjust federal income taxes on pro forma income at 21%. | 26,386 | 2,702 |
| (5) | | <u>Total Income Taxes</u> | <u>\$ 38,584</u> | <u>\$ 3,379</u> |
| (6) | (15) | <u>Other Income - AFUDC</u> | | |
| | | To remove AFUDC from test year income. | <u>\$ (16,578)</u> | <u>\$ (16,578)</u> |

Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended August 31, 2018

| ORS Adj. # | PWR Adj. # | Description | ORS | PWR |
|---------------|---------------|---|---------------------|--------------------|
| (7) | (16) | <u>Amortization of Debt Expense</u> To remove the amortization of debt expense. Debt expense is included in the calculation of the weighted average cost of debt for the calculation of interest expense. | \$ <u>(35,437)</u> | \$ <u>(35,437)</u> |
| (8) | - | <u>Plant in Service</u> To adjust gross plant in service as of 1/31/19. See Audit Exhibit CLS-3. | \$ <u>599,616</u> | \$ <u>594,730</u> |
| (9) | - | <u>Accumulated Depreciation</u> To adjust accumulated depreciation as of 1/31/19. See Audit Exhibit CLS-3. | \$ <u>(209,644)</u> | \$ <u>0</u> |
| (10) | - | <u>Contributions in Aid of Construction (CIAC)</u> To adjust contributions in aid of construction as of 1/31/19. See Audit Exhibit CLS-3. | \$ <u>(4,251)</u> | \$ <u>0</u> |
| (11) | - | <u>Accumulated Amortization of CIAC</u> To adjust the accumulated amortization of contributions in aid of construction as of 1/31/19. See Audit Exhibit CLS-3. | \$ <u>4,421</u> | \$ <u>0</u> |
| (12) | - | <u>Accumulated Deferred Income Taxes</u> To adjust accumulated deferred income taxes. | \$ <u>(1,564)</u> | \$ <u>(1,564)</u> |
| (13) | - | <u>Excess Deferred Income Taxes (EDIT)</u> To adjust rate base for the creation of an excess tax collection liability resulting from lower federal tax rates as calculated by the ORS Utility Rates Department. | \$ <u>(456,531)</u> | \$ <u>0</u> |
| (14) | - | <u>Cash Working Capital</u> To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit CLS-5. | \$ <u>(96,936)</u> | \$ <u>57,887</u> |

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Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended August 31, 2018

| ORS Adj. # | PWR Adj. # | Description | ORS | PWR |
|---------------------------------------|---------------|---|-------------------|-------------------|
| (15) | (16) | <u>Interest Expense</u> To synchronize interest expense with the portion of rate base financed by debt. | \$ (690,179) | \$ (696,982) |
| <u>ORS's Proposed Increase</u> | | | | |
| (16) | | <u>Operating Revenues</u> | | |
| (16A) | (17) | To adjust residential revenues to reflect the proposed rates as calculated by the ORS Utility Rates Department. | \$ 52,039 | \$ 106,533 |
| (16B) | (17) | To adjust residential-mobile home park revenues to reflect the proposed rates as calculated by the ORS Utility Rates Department. | 1,561 | 3,054 |
| (16C) | (17) | To adjust commercial revenues to reflect the proposed rates as calculated by the ORS Utility Rates Department. | 80,357 | 156,633 |
| (16D) | (17) | To adjust multiple family dwelling revenues to reflect the proposed rates as calculated by the ORS Utility Rates Department. | 191,123 | 349,578 |
| (16E) | - | To adjust other revenues to reflect the proposed rates as calculated by the ORS Utility Rates Department. | 2,468 | 0 |
| (16) | | <u>Total Operating Revenues</u> | \$ <u>327,548</u> | \$ <u>615,798</u> |
| <u>Operating Expenses</u> | | | | |
| (17) | (18) | To adjust bad debt expense at 1% of the total proposed increase to revenues at proposed rates. | \$ <u>3,275</u> | \$ <u>6,158</u> |
| (18) | (19) | <u>Taxes Other Than Income Taxes</u> To adjust utility regulatory assessment fees after the proposed increase adjustments using a rate of 0.471772446%. | \$ <u>1,545</u> | \$ <u>2,905</u> |

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Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended August 31, 2018

| ORS Adj. # | PWR Adj. # | Description | ORS | PWR |
|---------------|---------------|---|------------------|-------------------|
| (19) | | <u>Income Taxes</u> | | |
| (19A) | (21) | To adjust state income taxes on the proposed increase income at 5%. | \$ 16,137 | \$ 30,337 |
| (19B) | (20) | To adjust federal income taxes on the proposed increase income at 21%. | 64,384 | 121,043 |
| (19) | | <u>Total Income Taxes</u> | <u>\$ 80,521</u> | <u>\$ 151,380</u> |
| (20) | | <u>Amortization of EDIT</u> | | |
| | | To increase income by the annual amortization of excess deferred income taxes due to the Tax Cuts and Jobs Act. This adjustment was provided by the ORS Utility Rates Department. | \$ <u>13,662</u> | \$ <u>0</u> |

AKH

Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Weighted Cost of Capital
For the Test Year Ended August 31, 2018

Settlement Attachment A
Page 7 of 7

| Description | | | Application Per Books | | | | After Accounting and Pro forma Adjustments | | | | After ORS's Proposed Increase | | | |
|-----------------|-------------------|---------|-----------------------|----------------------|---------------------|---------------------|--|----------------------|---------------------|---------------------|-------------------------------|----------------------|---------------------|---------------------|
| | Capital Structure | Ratio | Rate Base | Embedded Cost/Return | Overall Cost/Return | Income For Return * | Rate Base | Embedded Cost/Return | Overall Cost/Return | Income For Return * | Rate Base | Embedded Cost/Return | Overall Cost/Return | Income For Return * |
| Long-Term Debt | \$ 15,982,546 | 45.00% | \$ 4,475,546 | 5.23% | 2.35% | \$ 234,071 | \$ 4,401,346 | 5.23% | 2.35% | \$ 230,190 | \$ 4,401,346 | 5.23% | 2.35% | \$ 230,190 |
| Members' Equity | 19,534,223 | 55.00% | 5,470,111 | 16.49% | 9.07% | 901,907 | 5,379,422 | 5.17% | 2.85% | 278,157 | 5,379,422 | 9.93% | 5.46% | 534,026 |
| Totals | \$ 35,516,769 | 100.00% | \$ 9,945,657 | | 11.42% | \$ 1,135,978 | \$ 9,780,768 | | 5.20% | \$ 508,347 | \$ 9,780,768 | | 7.81% | \$ 764,216 |

10/28

PALMETTO WASTEWATER RECLAMATION LLC
1713 WOODCREEK FARMS ROAD
ELGIN, SC 29045
(803) 699-2422

PROPOSED SETTLEMENT SEWER RATE SCHEDULE
EFFECTIVE , 2019

1. **MONTHLY CHARGE**

- a. Residential - Monthly charge per
single-family house, condominium,
villa or apartment unit \$37.92
- b. Mobile Homes \$28.30
- c. Commercial - Monthly charge per
single-family equivalent \$37.92
- d. The charges listed above are minimum charges and shall apply even if the
equivalency rating is less than one (1). If the equivalency rating is greater than
one (1), then the monthly charges may be calculated by multiplying the
equivalency rating by the monthly charge of \$37.92.
- e. Bills issued for monthly sewer service provided during the thirty-six (36) month
period beginning from and after the effective date of this rate schedule shall be
reduced thirty-four (\$0.34) cents for residential customers and mobile home
customers and thirty-four (\$0.34) cents per single family equivalent for
commercial customers. Bills issued for service provided from and after that
thirty-six (36) month period will be at the full rates shown above unless a
different rate is approved by the Public Service Commission after the effective
date of this rate schedule.

Commercial customers are those not included in the residential and mobile home
categories above and include, but are not limited to, hotels, stores, restaurants, offices,
industry, etc. Minimum commercial customer equivalency ratings may exceed one (1) in
some cases.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building
consisting of four or more residential units which is served by a master sewer meter or a
single sewer connection. However, in such cases all arrearages must be satisfied before

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service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. **NONRECURRING CHARGES**

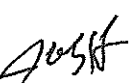
- a. Sewer service connection charge per single-family equivalent \$250.00
- b. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. **NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

- a. Notification Fee: A fee of \$25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Regulation 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service.
- c. Reconnection charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Regulation 103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. The amount of the reconnection fee shall be in accordance with Commission Regulation 103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. **BILLING CYCLE**

Recurring charges will be billed monthly. Nonrecurring charges will be billed and collected in advance of service being provided.



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5. **LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

6. **TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. **REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS**

- a. Where there is connected to the Utility's system a satellite system, as defined in S.C. Code Regs. 61-9.505.8 or other pertinent law, rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules or regulations.
- b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), stormwater, and groundwater are not introduced into the Utility's system.
- c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.
- d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the inspection report received by the owner or operator of a satellite

PAGE 4 - ATTACHMENT B

system, including video of the inspection, shall be provided to Utility. Should the owner or operator fail to undertake such inspection, Utility shall have the right to arrange for such inspection and to recover the cost of same, without mark-up, from the owner or operator of the satellite system.

- e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, said disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are paid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail to have the necessary cleaning performed within that time frame, Utility may arrange for cleaning by a qualified contractor and the cost of same, without mark-up, may be billed to the owner or operator of said system.

8. **CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

9. **EXTENSION OF UTILITY SERVICE LINES AND MAINS**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

10. **CONTRACTS FOR MULTI-TAP CAPACITY**

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an

Ans/d

PAGE 5 - ATTACHMENT B

acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

11. **SINGLE FAMILY EQUIVALENT**

A Single Family Equivalent (SFE) shall be determined by using the wastewater design loading guidelines found in 6 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2016). Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by these guidelines, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

12. **TAMPERING CHARGE**

In the event the Utility's equipment, mains, service lines, elder valves, or other plant or facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, plant or facilities not to exceed \$250.00. The tampering charge shall be paid in full prior to the Utility re-connecting service or continuing the provision of service. This charge shall be in addition to any notification, reconnection, or similar charges that the Utility is entitled to impose under this rate schedule or under Commission orders, rules, and regulations.

13. **LIMITATION OF LIABILITY**

The liability of the Utility, its officers, employees, and agents for damages arising out of the interruption of service or failure to furnish service, whether caused by acts or omissions, shall be limited to those remedies provided in the Commission's rules and regulations governing wastewater utilities.